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MEMORANDUM

TO: CMAP Board

FROM: Dolores Dowdle
Dolores Dowdle
Deputy Executive Director for Finance and Administration

Date: February 4, 2008

Re: Annual Financial Report for the Year Ended June 30, 2007

In June 2007 the Board of Directors approved a three-year contract (with two one-year options) with Virchow Krause & company (VK) to conduct the annual financial audit. The financial statements for fiscal year (FY) 2007 have been completed and are enclosed. The report issued by VK is an unqualified opinion of the financial statements.

In FY 2007, during the transition of the merger of NIPC and CATS to CMAP, NIPC continued to be the financial agent. This financial statement will be the final one issued for NIPC since CMAP has established a new federal tax number and financial accounts as of July 1, 2007 and has fully assumed responsibility for the financial management.

The financial statements issued to NIPC for FY 2006 was a qualified opinion since the furniture obtained in the new office lease build-out and new furniture purchased for the CATS employees had not been valued or recorded at the time of the issuance of the statements. During FY 2007, staff conducted a full inventory of the furniture and valued all items. With the furniture fully valued, VK restated the FY 2006 financial report with this information. The total net assets changed from a negative \$642,869 at the end of FY 2006 to a positive \$290,608 at the end of FY 2007. Because the FY 2006 financial report had to be restated with this information, VK noted this as a significant deficiency. During FY 2007 procedures have been implemented to assure the proper and timely recording of all assets.

Following are the financial highlights of the annual statement:

- During FY 2007, the value of the office furniture which was acquired as part of the 2005 office lease was assessed. Since this value was not available when FY 2006 financial statements were issued, the capital assets as of June 30, 2006 were restated from \$120,088 to \$867,961. As of June 30, 2007, capital assets were \$789,954.

- A grant amount of \$177,000 had not been recorded as restricted in FY 2006 financial statements. The restatement of the net assets included this amount.
- FY 2006 total net assets was restated from a negative \$642,869 to a positive \$282,005 as a result of the capital assets value and the addition of the restricted grant. In FY 2007 net assets increased to \$290,608.
- The unrestricted funds were restated to include the unearned rent credit instead of being classified as restricted net assets. Now, the unrestricted net assets have two parts—the unearned rent credit of (\$1,174,940), a deficit, and the general unrestricted net assets of \$524,130, a positive amount. The general unrestricted net assets have increased from \$290,399 in FY 2006 to \$524,130 as of June 30, 2007.
- The federal grant revenue increased from \$4,021,549 on June 30, 2006 to \$7,002,810 on June 30, 2007. This increase reflects the merged activities of NIPC and CATS.
- During this final year of NIPC, FY 2007 financial statements, as noted above, include the combined activities of NIPC and CATS. The increased expenses, revenue and capital assets are a reflection of the merger of the two organizations to CMAP.

At the Board of Directors meeting, representatives from VK will present their findings for consideration by the Board.

Enclosure:

1. Annual Financial Report
2. Management Letter
3. SAS 114 Letter
4. SAS 112 Letter